

EXECUTIVE DIRECTOR'S REPORT TO THE BUDGET COMMITTEE June 2018



BUDGET COMMITTEE TASKS

At this meeting the Budget Committee needs to:

- Approve Results of the 2017 Audit*
- Recommend a 2018 Operational Budget to the Council for use during the remainder of the 2018 Calendar Year**
- Prepare for September when staff will present a preliminary draft 2019 budget and ask for recommend priorities***

* COP 9: Council Staff provides a report to the Budget Committee which summarizes findings of an annual, independent audit of the Council's financial practices, together with a summary of the Council's response to the audit's findings.

** COP 9: At the first opportunity following Congressional appropriations, confirmation of fiscal assumptions, updates, and resolution of uncertainties contained in the preliminary annual budget, Council staff prepares updated final annual budget for Budget Committee review, approval, and forwarding to the Council for approval at the earliest opportunity, including potentially at the same meeting.

*** COP 9: Council Staff prepares for consideration by the Budget Committee a proposed preliminary annual budget for Council operations which documents all major aspects of the Council's fiscal affairs and identifies balances, performance obligations, potential amounts and sources of current and future fiscal year funding, current and projected costs of activities, and addresses multi-year cash-flow needs, staffing stability and other contingencies while generally associating higher priority Council activities with secure funding sources.



CY 2017 Audit Results

- Financial Statements
 - Type of Auditor's Report Issued Unmodified
 - Material Weakness or Significant Deficiencies No
 - Noncompliance Materials No
- Federal Awards
 - Type of Auditor's Report Issued Unmodified
 - Material Weakness or Significant Deficiencies No
 - Reportable Audit Findings No
- Identification of Major Programs: Low-Risk Auditee
 - CDFA 11.441
 - Regional Fishery Management Councils
 - Type B Program (>\$750,000)
- Financial Statement Findings: None
- Federal Award Findings and Questioned Costs: None



Final Expenditures for CY 2017

| Category | Total Budget 2017 | Final 2017 Expenditures | % of Total Budget |
|-------------------------------------|---------------------|-------------------------|-------------------|
| Staff Wages & Benefits | \$ 2,189,503 | 2,160,468 | 99% |
| Travel | \$ 975,184 | 873,123 | 90% |
| Supplies & Services | \$ 598,255 | 537,718 | 90% |
| Contractual | | | |
| Council Member Compensation | \$ 236,711 | 220,426 | 93% |
| Advisory Body Stipends | \$ 69,499 | 65,960 | 95% |
| Liaison & Pln (State, PSMFC, Other) | \$ 673,601 | 556,672 | 83% |
| Total 2017 | \$ 4,742,753 | 4,414,368 | 93% |

Detail of State and PSMFC Liaison and Planning, and Other Contractual for 2017

| Contract | 2017 Budget | Final 2017 Expenditures | Balance Remaining |
|--|-------------------|-------------------------|-------------------|
| Alaska - Liaison & Planning | \$ 22,527 | \$ - | \$ 22,527 |
| California - Liaison & Planning | \$ 133,212 | \$ 112,640 | \$ 20,572 |
| Idaho - Liaison & Planning | \$ 37,527 | \$ 37,527 | \$ - |
| Oregon - Liaison & Planning | \$ 141,524 | \$ 141,524 | \$ 0 |
| Washington-Liaison & Planning | \$ 131,524 | \$ 131,524 | \$ - |
| PSMFC-Liaison & Planning | \$ 41,537 | \$ 41,537 | \$ - |
| Subtotal | \$ 507,851 | \$ 464,752 | \$ 43,099 |
| Other Contractual (e.g., GF Spx, Salmon, IQ) | \$ 165,750 | \$ 91,920 | \$ 73,830 |
| Grand Total | \$ 673,601 | \$ 556,672 | \$ 116,929 |



Report Card - How are We Doing?

- | | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|------|------|------|------|------|
| • Budget v. Expenses | | | | | |
| • Wages and Benefits: | A | A- | A- | A | A |
| • Fairly Predictable: Wages, Vacancies | | | | | |
| • Travel | A- | C+ | C | A- | B+ |
| • More Variable: Attendance, Other Meetings, Airfare | | | | | |
| • Supplies and Services | A- | B+ | C+ | B+ | B+ |
| • Fairly Predictable: Hotel, Rent, Equipment Leases | | | | | |
| • Contractual | B | A- | B- | A | A |
| • Fairly Predictable: Council Member Compensation, State/Project, | | | | | |
| • Less Predictable: Consultants | | | | | |
| • The Bottom Line is Expenses Are Usually Under Budget | | | | | |



CY 2018 Funding and Budget Summary

| Source of Funds or Designated Use | Dollars | Comments |
|---|---------------------------|---|
| New CY 2018 Funds | | |
| Base and Ongoing Soft Funds: | | |
| Received (12/12/17) | \$672,173 | PPA Base Funds |
| Received (4/17/18) | \$691,308 | PPA Base Funds |
| Received (5/25/18) | \$990,000 | PPA Base Funds |
| Total | <u>\$2,353,481</u> | |
| Remaining Estimated Base and Ongoing Soft Funds Expected | | |
| Remaining Base | \$1,241,487 | <i>PPA base funds (same as 2017)</i> |
| Ongoing Soft Funds | \$685,000 | <i>Management Programs and Services (MPS), same as 2017</i> |
| New Soft Funds | \$146,750 | <i>New MPS line for Regulatory Reform</i> |
| | <u>\$2,073,237</u> | |
| Designated Supplemental Funding Received or Expected as of June 1 | | |
| ISC funded travel through SWFSC | \$5,000 | Received (5/14/18) |
| Fishery Ecosystem Plan Initiatives | \$136,000 | <i>addl - \$47K requested for 2019</i> |
| | | 2017-2019 |
| Status on 2017 Supplemental Funding Received | | |
| National SCS | | <i>Received 125K</i> |
| | | 2017-2018 |
| Intersector Quota Pound Trading | | <i>Received 125K</i> |
| | | 2017-2018 |
| Swordfish Management | | <i>Received 59K</i> |
| | | 2017-2018 |
| Annual Catch Limits Implementation and Flexibility | | <i>Received 149K</i> |
| | | 2017-2018 |
| Essential Fish Habitat and Rockfish Conservation Area | | <i>Received 150K</i> |
| | | 2017-2018 |
| Subtotal New Funds | <u>\$4,567,718</u> | |
| Remaining Funds from 2017 | <u>\$3,232,152</u> | |
| (Including Special Projects/Funds not utilized in prior year.) | | |
| Total Funds (On hand or expected as of June 1) | <u>\$7,799,870</u> | |



CY 2018 Funding and Budget Summary

NOVEMBER 2017 COUNCIL GUIDANCE REGARDING CY 2018 OPERATIONAL BUDGET

| Adopted November Financial Recommendations | Provisional Budget |
|---|--|
| <ul style="list-style-type: none"> Approved Provisional CY 2018 Operational Budget | \$4,855,814 |
| Approved SCS Meeting | <u>\$125,000</u> <i>Scheduled January 2018</i> |
| | 4,980,814 <i>November 2017 Approved Provisional Budget</i> |

Allow flexibility for Executive Director to work with West Coast Region to determine potential special projects that fit within the TEMP, Phase 2 Headquarter funds, and Phase 3 discretionary funds, taking into the account the recommendations of the Budget Committee. The BC identified the following for potential special projects: Fishery Ecosystem Plan (remaining funds for current project), coordinate work and funding of off-year science workshops, address other ESA-related issues that come up outside of existing ESA Schedule; and determine if Quota Pound Trading funds could be utilized for catch-share review follow on actions (125K received in 2017).

PROPOSED CY 2018 OPERATIONAL BUDGET

| Item | Dollars | Comments |
|--|---------------------------|---|
| Provisional CY 2018 Budget | \$4,980,814 | Adopted November 2017 |
| Proposed Adjustments to Projects & Expenses: | | |
| Total Other Adjustments | <u>-\$33,660</u> | Primarily updates due to reduction in travel and actual staff levels in 2018. |
| Proposed CY 2018 Operational Budget | <u>\$4,947,154</u> | |
| Projected Delayed Spending Account at Year End 2018 | \$2,852,715 | Includes funding for projects continuing in 2019 |



Expenditures for CY 2018 through April

| Category | Total Budget* 2018 | Expenditures* 4/30/2018 | % of Total Budget | Expenditures Remaining |
|-------------------------------------|--------------------|-------------------------|-------------------|------------------------|
| Staff Wages & Benefits | \$ 2,245,243 | \$ 700,831 | 31.21% | \$ 1,544,411 |
| Travel | \$ 1,028,145 | \$ 233,026 | 22.66% | \$ 795,119 |
| Supplies & Services | \$ 683,456 | \$ 132,114 | 19.33% | \$ 551,342 |
| Contractual | | | | |
| Council Member Compensation | \$ 244,694 | \$ 70,505 | 28.81% | \$ 174,189 |
| Advisory Body Stipends | \$ 69,499 | | 0.00% | \$ 69,499 |
| Liaison & PIn (State, PSMFC, Other) | \$ 676,117 | \$ 35,480 | 5.25% | \$ 640,637 |
| Total 2018 | 4,947,154 | \$ 1,171,956 | 23.69% | \$ 3,775,198 |

*includes SCS Funds

Detail of State and PSMFC Liaison and Planning, and Other Contractual for 2018

| Contract | 2018 Budget** | Billed 4/30/2018 | Balance Remaining |
|---|-------------------|------------------|-------------------|
| Alaska - Liaison & Planning | \$ 22,527 | \$ - | \$ 22,527 |
| California - Liaison & Planning | \$ 134,152 | \$ - | \$ 134,152 |
| Idaho - Liaison & Planning | \$ 40,587 | \$ - | \$ 40,587 |
| Oregon - Liaison & Planning | \$ 139,240 | \$ - | \$ 139,240 |
| Washington-Liaison & Planning | \$ 131,524 | \$ - | \$ 131,524 |
| PSMFC-Liaison & Planning | \$ 43,337 | \$ - | \$ 43,337 |
| Subtotal | \$ 511,367 | \$ - | \$ 511,367 |
| Other Contractual (e.g., GF Spx, Sal, IQ) | \$ 164,750 | \$ 35,480 | \$ 129,270 |
| Grand Total | \$ 676,117 | \$ 35,480 | \$ 640,637 |

**Liasion Funding over base to work on Fishery Ecosystem Plan, Carryover, and Groundfish Trawl IQ



SCS-6 Budget and Expenditures

| Budget v. Expenses | <u>Budget</u> | <u>Expenses</u> | <u>Remaining</u> | |
|--|------------------|-----------------|------------------|--------------|
| | | | <u>Expenses</u> | <u>Funds</u> |
| • Travel: | \$ 47,910 | \$ 73,432 | \$ 0 | |
| • Meeting Space | \$ 62,090 | \$ 39,198 | \$ 0 | |
| • <u>Other Supplies and Services</u> | <u>\$ 15,000</u> | <u>\$ 61</u> | <u>\$14,039</u> | |
| • Total | \$125,000 | \$112,691 | | \$12,309 |
| <ul style="list-style-type: none"> • Remaining expenses intended for publishing proceedings • Projected final expenses are \$126,730 | | | | |



2018 Budget Update

| Category | Final Approved Budget 2017 | Approved Provisional Budget 2018 | Proposed Final Budget 2018 |
|-------------------------------------|----------------------------|----------------------------------|----------------------------|
| Staff Wages & Benefits | \$ 2,189,197 | \$ 2,264,590 | \$ 2,245,243 |
| Travel | \$ 975,184 | \$ 997,556 | \$ 980,235 |
| Supplies & Services | \$ 598,255 | \$ 603,935 | \$ 606,366 |
| Contractual | | | |
| Council Member Compensation | \$ 236,711 | \$ 244,117 | \$ 244,694 |
| Advisory Body Stipends | \$ 69,499 | \$ 69,499 | \$ 69,499 |
| Liaison & Pln (State, PSMFC, Other) | \$ 673,601 | \$ 676,117 | \$ 676,117 |
| Total 2017 | 4,742,447 | 4,855,814 | 4,822,154 |

| Contract | Final Approved Budget 2017 | Approved Provisional Budget 2018 | Proposed Final Budget 2018 |
|---|----------------------------|----------------------------------|----------------------------|
| Alaska - Liaison & Planning | \$ 22,527 | \$ 22,527 | \$ 22,527 |
| California - Liaison & Planning | \$ 133,212 | \$ 134,152 | \$ 134,152 |
| Idaho - Liaison & Planning | \$ 37,527 | \$ 40,587 | \$ 40,587 |
| Oregon - Liaison & Planning | \$ 141,524 | \$ 139,240 | \$ 139,240 |
| Washington-Liaison & Planning | \$ 131,524 | \$ 131,524 | \$ 131,524 |
| PSMFC-Liaison & Planning | \$ 41,537 | \$ 43,337 | \$ 43,337 |
| Subtotal | \$ 507,851 | \$ 511,367 | \$ 511,367 |
| Other Contractual (e.g., GF Spx, Sal, IQ) | \$ 165,750 | \$ 164,750 | \$ 164,750 |
| Grand Total | \$ 673,601 | \$ 676,117 | \$ 676,117 |



What's Different in 2018

- Salaries and Benefits
 - Merit Raises, COLA - Increase Costs
 - Vacancy, Health Care Benefits - Lower Costs
- Travel Expectations - Similar
 - Stock Assessments, CAB in 2017
 - HMS travel, SaMTAAC in 2018
 - Travel & Per Diem inflation
- Contracts - Higher Costs
 - State Contracts - More Special Project Funding in 2018
 - Council Member Comp: SaMTAAC, NPFC
- Bottom Line is “Not Much”



Health Care Benefits

| Year | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--------|-------------|-------------|-------------|-------------|-------------|-------------|
| Budget | 188K | 205K | 235K | 232K | 210K | 199K |

- Maintaining Benefits While Reducing Costs
 - High Deductible Plan
 - Augmented Benefits with HRA
 - Total Exposure Like Higher Premiums
 - Actual Expense Less Because Everybody Doesn't Need Full Benefits Every Year
 - ~ 20% of total exposure
- The Bottom Line is Saving Money While Maintaining Benefit Level



2019 Budget Planning

- September - Identify Priorities
 - COP 9: Council Staff prepares for consideration by the Budget Committee a proposed preliminary annual budget for Council operations which documents all major aspects of the Council's fiscal affairs and identifies balances, performance obligations, potential amounts and sources of current and future fiscal year funding, current and projected costs of activities, and addresses multi-year cash-flow needs, staffing stability and other contingencies while generally associating higher priority Council activities with secure funding sources.
- November - Adopt Provisional 2019 Budget
 - COP 9: Budget Committee modifies/approves the proposed preliminary budget and forwards recommendations to the Council for approval and provisional use beginning January 1 of the next year.



Expectations for Future Funding

- FY19 Presidents Budget: Council-Commissions Line Item
 - 2017 - \$34,254,000 - enacted
 - 2018 - \$35,871,000 - enacted, but no increase to Council Line
 - 2019 - \$34,495,000 - proposed, \$176,000 Council Line Increase



2019 Priorities

Pacific Council Workload Planning: Preliminary Year-at-a-Glance Summary

All shaded items are candidates for rescheduling (advanced or postponed), and may be used as placeholders to acknowledge intent to address issues in the future. There is no implied priority among shaded agenda items based on which meeting they appear. An acronym list is on the next page.

Lighter shaded items are dependent on receipt of special project funding.

| | <u>September 5-12, 2018</u> (Seattle) | <u>November 1-8, 2018</u> (San Diego) | <u>March 5-12, 2019</u> (Vancouver) | <u>April 9-16, 2019</u> (Rohnert Park) | <u>June 18-25, 2019</u> (San Diego) |
|-------------------------------|--|--|--|--|--|
| CPS | | NMFS Report EFP Notice of Intent for 2019 Method Rev.-- Identify Topics Review of Mgmt. Categories Draft Stock Assessment Prioritization Process | | NMFS Report EFP Final Approval for 2019 Sardine Assessment & Management Measures Final Method Rev.-- Final Topics CSNA Management Update | Pacific Mackerel Assessment & Biennial Management Measures |
| | Live Bait Allowance Amend.-ROA/PPA | Live Bait Allowance Amend.-FPA | | | |
| | NMFS Report Inseason Management Methodology Rev.Planning (COP25) Preliminary Topic Selection | NMFS Report Inseason Management Incl Whiting Yield Set-Asides for 2019 Methodology Rev.Planning (COP25) Final Topic Selection | Inseason Management | NMFS Report Inseason Management Cost Recovery Endangered Species Workgroup Rpt. | NMFS Report Inseason Management Adopt Stock Assessments 2021-2022 Harvest Specifications & Management Measures Planning |
| Groundfish | Sci Improv & Meth Rev -Report ESA Mitigation Measures for Seabirds Omnibus Workload Considerations 5-Yr. Catch Share Follow On PPA Amend. 28 EFH/RCA Implement. Rev. | ESA Salmon Mitigation Meas. -Scoping Gear Switching & Sablefish Area Management Report 5-Yr. Catch Share Follow On PPA Cost Recovery Report Flexibility in ACL Management Response ROA/PPA CCA Revisions - ROA/PPA | ESA Salmon Mitigation Meas. -PPA Whiting Treaty Implementation | ESA Salmon Mitigation Meas. -FPA Gear Switching & Sablefish Area Management ROA Omnibus - Follow On Flexibility in ACL Management Response ROA/PPA | |
| | Sablefish MSE Scoping | CCA Revisions - ROA/PPA | CCA Revisions - FPA | | |
| | NMFS Report International Issues EFP Final Approval of Non-DSBG EFPs | NMFS Report International Issues | NMFS Report | | NMFS Report International Issues |
| HMS | | Amendment Authorizing SS-Longline Fishery: Scoping | Amendment Authorizing SS-Longline Fishery: ROA DSBG Authorization:FPA | | Amendment Authorizing SS-Longline Fishery: PPA |
| | DSBG Authorization: LE Criteria & ROA Scope Biennial Mgmt Measure Changes, SDC, & Ref. Pts. | Biennial Mgmt Measure Changes SDC, & Ref. Pts. Preliminary Action | Biennial Mgmt Measure Changes SDC, & Ref. Pts. Final Action | | |
| Salmon | Method Rev. Adopt Priorities | NMFS Rpt Approve Salmon Review (SAFE), Forecasts, SDC, & ACLs 2019 Preseason Mgmt Schd Preliminary Rebuilding Plans | NMFS Rpt Approve Salmon Review (SAFE), Forecasts, SDC, & ACLs 2019 Season Setting (5) Rebuilding Plans - Final Approval | 2019 Method Rev.--Identify Topics 2019 Season Setting (4) | |
| Ecosystem | Climate & Communities Initiative Update FEP 5-Year Review Scoping West Coast Implementation Plan for the EBFM Roadmap | | Climate & Communities Initiative Rev. FEP Initiatives Review CA Current Ecosystem Rpt Incl. IEA Rpt & Science Rev. Topics | | |
| Other | Routine Admin (11) Habitat Issues Standardized Bycatch Reporting- Methods Review P. Halibut: CSP Change-Preliminary Research and Data Needs, Final | Routine Admin (11) Habitat Issues Allocation Review Procedures P. Halibut: CSP Change Final | Routine Admin (9) Habitat Issues CCC Meeting Update Annual USCG Fishery Enf. Rpt NIMS Coordination Report MP Update P. Halibut: Prelim Incidental Regs P. Halibut: IPHC Meeting | Routine Admin (9) Habitat Issues Standardized Bycatch Reporting- Methods Review P. Halibut: Final Troll Incidental Regs | Routine Admin (11) Habitat Issues CCC Meeting Update |
| Approximate Floor Time | 5.7 days | 6.8 days | 5.8 days | 5.6 days | 3.2 days |



2019 Priorities

Groundfish Workload Priorities

2018 ACTIVE PROJECTS^{a/, b/}

| | | | |
|---|--|---|---|
| Litigation Response (10) | ESA Salmon & Seabird Consultation (20) | EFH + RCA Modifications (32) | Inseason Management (27) |
| Catch Share Review Follow-On Actions^{c/} | 2019-2020 Biennial Harvest Specifications and Mgt. Measures, Incl. EFPs | Stock Assessment Review Process for 2019-2020 Biennium | Final Stock Assessment Plan & TORs |
| Coastwide Nonwhiting Midwater Trawl EFP/Gear Modification EFP Gear Switching and Trawl Sablefish Area Management | Methodology Review Topic Selection | Flexibility in ACL Management Response ^{d/} | Science Improvements & Assessment Methods Review (19) |

PROJECTS TENTATIVELY SCHEDULED FOR 2019^{a/}

Stock Assessment Review for 2021-2022 Biennium

UNSCHEDULED PROJECTS^{a/}

| | | | |
|---|--|---|--|
| Nearshore Management Issues (37) | Ecosystem Component Species (46) | RCA adjustments for Pot Vessels (53) | Halibut Retention S. of Pt. Chehalis (68) |
| Rebuilding Revision Rules (43) | 60 Mile Bank RCA Lines (48) | Carryover when Management Units Change (61) | 50 fm Depth Restriction (70) |
| Stock Complexes (44) | Rougheye Rockfish GCAs (49) | Recreational Discard Survival Rates (69) | Allow Between Sector Trading of Quota Pounds (quota species except whiting) (54, 55) |
| Ecosystem Port Sampling Initiative - <i>White Paper and Proposal</i> (45) | Sablefish Conversion Factors (50) | Lingcod S. of 40°10' Trawl/Non-Trawl Alloc. Mid-Bienium ACL Adj. (71) | LE Fixed Gear Sablefish Issues (38) |
| Develop Criteria for Distributing AMP QP (42) | Seabird Avoidance, Vessels <55 feet (52) | Trawl/Nontrawl Allocations | Carryover of At-Sea Set Asides |
| Aggregate Non-whiting QS Control Limits and Individual Species Weighting | Year-Round Whiting Season and Other Season Date Modifications (57) | Trawl Gear Regulations Update II (59) | |

a/ Numbers in parentheses reference items identified via Omnibus Workload Planning. See Agenda Item G.6.a, Attachment 2, June 2016 for a complete description of each measure.

b/ **Bolded** items are considered core MSA responsibility tasks. Shaded items are projects planned for work pending funding.

c/ Includes: at-sea set-aside management, individual species vessel quota pound (QP) limits for blackgill rockfish, daily vessel QP limits, post season QP trading and relief from annual QP limits, elimination of Sept. 1 expiration of QP, catcher-processor (CP) sector accumulation limits, and data collection on CP and quota share (QS) owner.

d/ Includes a multi-year approach for determining overfishing and ABC/ACL carryover as well as increase in the QP carryover.



Potential 2019 Special Project Proposals*

- Sablefish MSE - including ecosystem stock assessment, SaMTAC
- Year Around Midwater Trawl
- Recreational Groundfish Discard Survival Rates
- Other Omnibus Priority Issue
- 40-10 Salmon Management Line
- SONCC Coho Harvest Control Rule
- Salmon Rebuilding Plans
- Swordfish MSE
- Shallow Set Longline Amendment
- Sardine MSE
- CPS Stock Assessment Prioritization Process
- FEP 5-Year Review
- Potential Allocation Review(s)
- Scoping Council Role in Offshore Aquaculture Development

* Several of these will require partnerships or coordination with the Region, Science Centers, or other agencies so it will be important to begin discussions with them about their interest and capacity to collaborate in some of these items.



Grant Cycle Updates

- 2020-2024 Application Process
 - Applications due in August 2019
 - Council Approval in June 2019
 - Draft Application for March or April BC Meeting

- 2015-2019 Grant
 - 1-Year no-cost extension for 15-19 grant submission November 2019
 - Proposal part of 20-24 grant planning



Council Staff Recommendations

- Approve 2017 Audit
- Approve a 2018 Operational Budget of \$ 4,947,154
 - Includes SCS-6 \$125,000
 - Assumes Only New Special Project Funds for 2018 is FEP Implementation
- Prepare for 2019 by Identifying Priorities at the September Meeting
- Start Thinking About Longer-term Priorities for the Next Grant Cycle



BUDGET COMMITTEE DISCUSSION AND RECOMMENDATIONS

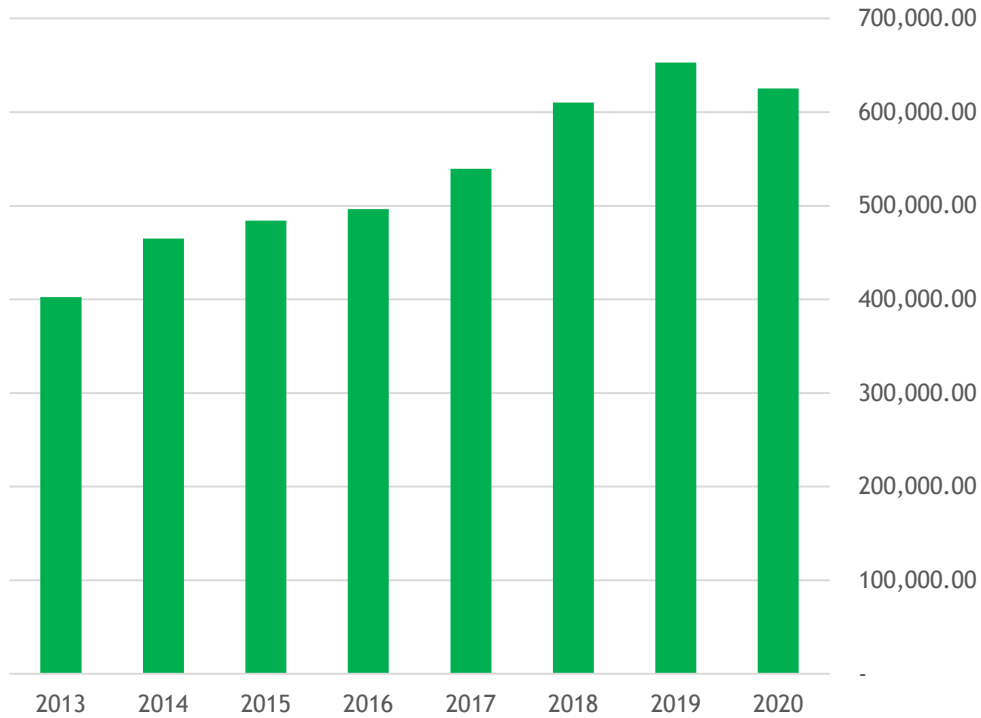


HOTEL COSTS - 2020

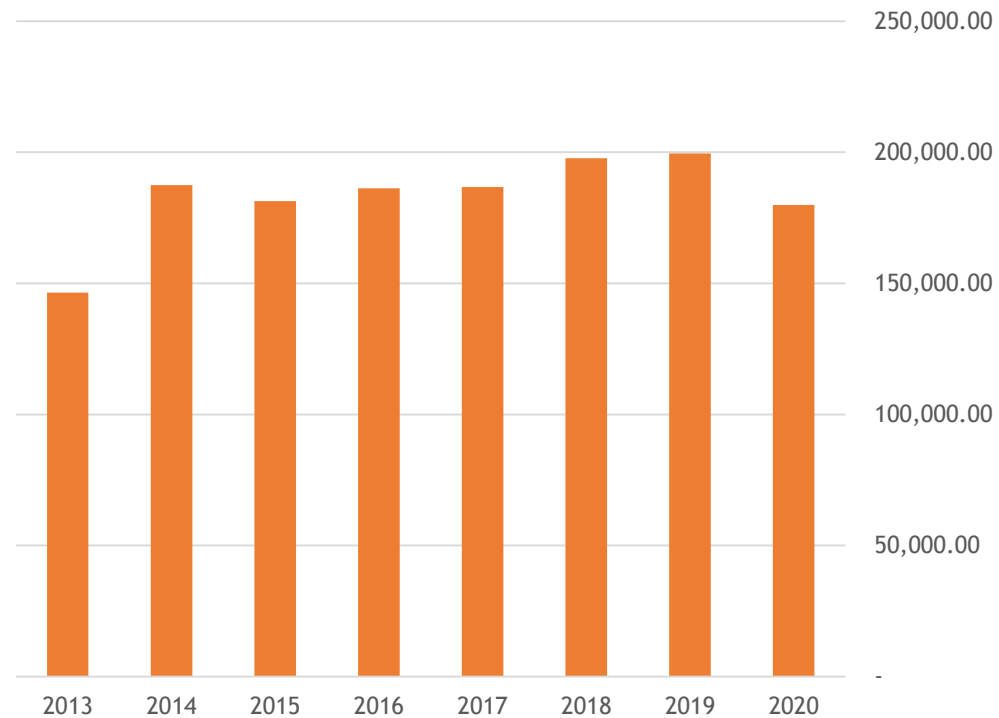


HOTEL COSTS - ANNUAL

PFMC Hotel Costs w/ Rooms



PFMC Hotel Costs w/o Rooms



PFMC Hotel Room Nights

